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Minnesota Tax Commission

The taxing system in Minnesota

St. Paul

1912

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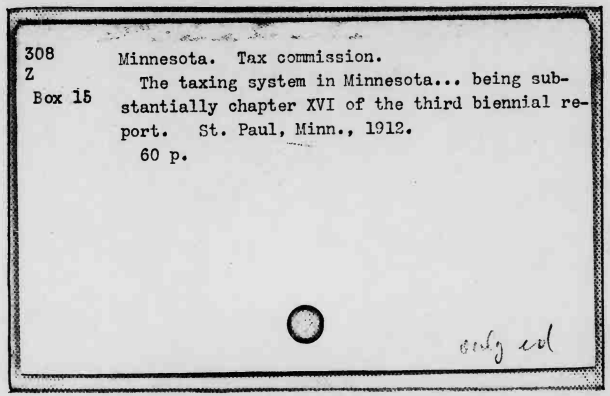
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THE TAXING SYSTEM IN MINNESOTA

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A series of articles upon taxation prepared by the Tax Commission and published in many of the leading newspapers in the state.

Being substantially Chapter XVI of the Third Biennial Report

OF THE

Minnesota Tax Commission

1912

St. Paul, Minnesota

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CHAPTER XVI

THE TAXING SYSTEM IN MINNESOTA

Nearly five years of study and experience has convinced the commission that there exists throughout the state a surprising lack of knowledge relative to our present methods of taxation, as well as widespread discontent over the many inequalities resulting from those methods. The people generally realize that they are taxed but comparatively few understand how they are taxed.

Believing that a broader and more accurate knowledge of the existing methods and a more general discussion of the principles of taxation by the people at large must necessarily precede any material improvement or radical reform in our taxing system, the commission determined to call to their assistance the newspapers of the state and utilize their columns for the dissemination of such information as might be deemed of value to the taxpayers of the state. It accordingly entered into correspondence with the press of the state, and offered to prepare and furnish a series of articles upon the manner in which taxes are levied and collected in this state to such newspapers as would be willing to publish the same.

Inasmuch as the commission was without funds which it could use for that purpose, it was distinctly understood that such services on the part of the publishers would be gratuitous, purely patriotic, and for the public good.

Some 150 newspapers in different parts of the state cheerfully accepted the proposition, and have generously given their space and labor to the circulation of information which it is believed has been both interesting and profitable to their readers, and will do much to clarify the atmosphere which in time past has done much to mystify and befog the subject of taxation.

The series of articles so prepared and published constitute the contents of this chapter, and are given substantially in the form in which they were so published.

Preliminary

It is the purpose to present to the readers of this newspaper, in a series of articles, a concise and accurate statement of the revenues raised for the state and its subdivisions, the methods of determining

how much revenue shall be raised, the purposes to which it is put and the several consecutive steps in arriving at what shall be each property owner's share of the general burden. The experience of the commission in the four years of its work has convinced it that there is a general lack of information on all these points, especially that relating to the assessment of real and personal property. Nor is this surprising when one reflects that the laws relating to these matters are buried in the statute books, consulted only by those charged with their administration, while the mass, to whom the statutes are not accessible, remain in ignorance of their provisions. Generally men know little more of the details of taxing than that an assessor visits them once a year and asks searching questions relative to their property, and that, once or twice a year, they go to the county treasurers to pay the tax levied on their property. It is to give publicity to these matters that these articles are directed.

They will be made as brief as is consistent with clearness and with their relative importance in the system. They will be carefully prepared to insure accuracy and be put in simple language. The commission hopes and expects that they will create discussion by both the editor and the readers of this newspaper and it solicits their opinions both on the articles and the taxing system. It is only by such means that reforms are ever accomplished.

The commission takes this opportunity to express its appreciation of the public spirit of the editor of this paper, shown by his giving of valuable space without other compensation than the satisfaction of performing a valuable public service.

Sources of Public Revenue

The state of Minnesota derived its revenues for the year ending July 31, 1910, from the following sources:

Special taxes upon corporations, viz:

Railroads 4% upon gross earnings	$4,458,911.59
Telephones, 3% upon gross earnings	163,258.64
Express companies, 6% upon gross earnings	37,011.82
Fast freight lines, 6% upon gross earnings	4,753.13
Insurance companies, 2% upon gross premiums	382,419.36
Total	$5,046,354.54

Other special taxes, viz:

Telegraph companies	$21,916.10
Sleeping car companies	7,361.64
Vessel tonnage	21,814.03
Inheritance tax	508,881.91
Liquor licenses	53,753.69

Mortgage registry tax	43,199.00
Total	$656,926.37
From general property tax	$3,253,829.29
Making the total amount derived from all sources by taxation	$8,957,110.20

In addition to the foregoing amounts the state also received during said fiscal year the following amounts from the following sources, viz:

State institutions	$2,674,040.58
Mineral leases	327,152.42
Principal and interest on state loans	676,107.73
Principal and interest on state lands sold	580,174.00
Interest on deposits and invested funds	329,768.08
Prison building fund	425,000.00
State drainage bonds	313,353.83
Stumpage	319,224.88
Bonds redeemed	250,000.00
Miscellaneous receipts	2,211.61

Making the total receipts of the state for the fiscal year ending July 31, 1910, $14,810,944.33.

The General Property Tax

The main reliance of the minor divisions of the state, and, to a less extent, of the state itself, is upon what is termed the "general property tax" levied directly upon the real and personal property in the state. The theory of this tax is that every person should bear his just share of the public expenses, and that his ability to bear it is proportioned to the value of his real and personal property. This has been the theory upon which this kind of taxation has been based since the state was organized.

In the table given in the report of the tax commission for 1910 is the following statement of the taxes raised in 1909 and the uses to which they were applied:

State taxes: For revenue and other purposes there was levied $1,742,743.19; schools and university, $1,364,256.34; interest and principal on state loans, $539,658.71; making a total of $3,646,-

County taxes: For revenue, $3,451,650.20; roads and bridges, $869,940.75; poor, $357,826.26; bonds and interest, $550,083.73; other special taxes, $594,462.95; making a total of $5,823,963.89.

City and village taxes: For revenue, $4,970,153.92; roads and bridges, $434,785.08; poor, $247,584.52; bonds and interest, $1,-

477,230.93; local assessments, $1,461,326.49; other special taxes, $1,146,324.51; making a total of $9,737,405.45.

Township taxes: For revenue, $687,931.68; roads and bridges, $1,394,313.65; poor, $62,189.67; bonds and interest, $92,637.14; delinquent road, $365,461.77; other special taxes, $167,478.62; making a total of $2,770,012.53.

For school district taxes: Local 1 mill tax, $1,105,026.98; bonds and interest, $180,200.37; other special taxes, $7,550,402.69; making a total of $8,835,630.04.

The grand total of taxes on land and personal property was $30,813,670.15. In addition, the municipalities derived revenue from indirect sources, such as liquor licenses, not included in the above. It may be worth noting that approximately 10 per cent of this total was used to pay interest and principal.

Assessment of Real and Personal Property

The Assessor

What the keel of a ship is to the superstructure, the assessor is to the entire system of taxing real and personal property. The humblest official in the system, he is the most powerful in producing its results. A detailed statement of what the law requires this official to do is essential to an understanding of the system.

Assessors in towns and villages, except where charters provide otherwise, are elected in the odd numbered years for two years, and are entitled to $2 a day for each day of actual service, though at any town meeting and before officers are elected, the pay may be increased one-half. Before entering upon their duties the assessors are required to file with the county auditor an oath of office and a bond in the sum of $500 conditioned upon "the diligent, faithful and impartial" performance of their duties.

On the last Thursday in April the assessors in each county meet with their county auditor to receive the assessment books and listing blanks, and "confer with the auditor relative to the performance of their duties." On May 1 they begin their work which must be completed by the fourth Monday of June. This gives them this year 44 days, Sundays and holidays excepted, in which to make the assessment.

Real estate is assessed every even numbered year, and personal property every year, both being assessed and valued as of May 1. In assessing land the law requires the assessor when practicable, to actually view each tract and lot, and to value the land and structures separately.

Preparatory to assessing personal property the assessors make a list of the names of all persons in their districts liable to assessment. The assessor is required to call upon each of them at his residence or office, present him with a blank for listing his property and require him to enter upon it the quantity of property owned by him in any of the 30 classes in the list. The assessor, not the owner, is required to "determine and fix the true value of all items of property in such classes." Even if the owner should enter the value and verify the list the assessor is not required to accept it but must put his own estimate of value on the property. If the owner refuses to list, the assessor shall list the property according to his best information. If he suspects that the owner is not disclosing all his property he may put him on oath and examine him relative to it. If the person refuses to be sworn the assessor enters that fact on his book. The law authorizes the assessor to enter any dwelling, building or structure when necessary to the proper performance of his duties and view the same and the property therein.

Under the "money and credits" act of 1911 the assessor shall require the person making the list to verify it with his oath. He shall receive the list, except as to valuation, as true unless when requested the person listing shall refuse to answer on oath all reasonable questions as to the nature and amount of his money and credits. The assessor is forbidden to disclose, under a penalty of a fine of not less than $100 nor more than $500, the contents of any list of money and credits. If any person fail to make and give him the required list the assessor may estimate the amount and value and add 50 per cent as a penalty. He is to enter the money and credits items either in a separate book or in a supplement to the assessment book.

Ten days before the fourth Monday in June the assessor shall post notices of the meeting of the board of review. By the first Monday in July he must total the columns of entries in his book of the several classes of property and make from the totals a tabular statement of their aggregate. To his assessment book he appends his affidavit and delivers the same together with the listing sheets to the county auditor who gives to him a certificate that the assessment conforms to the law, if such be the fact. Without such certificate the assessor cannot get his pay.

Reviewing the Assessments

Very evidently the legislative mind did not trust solely to the performance by the local assessor of his duties in a "diligent, faith-

ful and impartial'' manner. It doubtless had in mind the frailties of human nature that militate against such performance of duties, as well as the possible inaccuracy of judgment in valuing real and personal property.

So it set over the assessor a board of review composed of the town board of each town, the assessor, clerk and president of each village, and the assessor, clerk and mayor of each city, except as to those cities whose charters provide otherwise. In fourth class cities, except those whose charters provide a board of equalization, the board consists of the mayor, clerk and board of aldermen. The function of these several boards is to equalize assessments as between individual property owners of their respective districts; to raise or lower assessments and to add to the lists property that the assessor may have overlooked and fix its value. If an assessment is raised the owner is entitled to notice and a hearing, or if any owner feels aggrieved he may be heard and such correction made as the board may deem just.

These several boards meet at the office of the clerk of the town or district on the fourth Monday in June. They may sit until the first Monday in July, giving them six working days with pay at $3 a day, though in fourth class cities the pay of the board is limited to three days in each year. By the latter date the assessors must return their books and listing sheets to the county auditor.

Residents of the district, if they would have their assessments corrected, must appear before the local board of review, but non-residents may have their assessments reviewed by the county board of equalization.

These assessors and boards of review are local, their members chosen by their fellow citizens, and subject to local influences. But it is upon the faithful discharge of their duties that the taxpayers of the districts must rely for a fair and equitable assessment as between themselves. Resident taxpayers should understand that their local board of review is the place for them to have their assessments, if deemed unjust, corrected.

The County Board of Equalization

The preceding article explained the methods of equalizing assessments between individual taxpayers by local boards of review. The next step in the reviewing process contemplates, chiefly, the equalization of assessments between taxing districts in the same county, and this duty is committed to the county board of equalization.

tion. This board is not, however, limited to action on the district assessments but may change individual assessments where necessary.

The county board of equalization is composed of the county commissioners and the county auditor. It meets annually on the third Monday in July at the auditor's office. Having taken an oath to "fairly and impartially" perform their duties the board proceeds to "examine and compare the returns of the assessment of property of the several towns or districts and equalize the same, so that each tract or lot of real property, and each article or class of personal property, shall be entered on the assessment list at its true and full value."

The board may raise the valuation of tracts of real property if deemed too low, or reduce them if considered too high. It may also raise the aggregate valuation of the real property of the entire county or any district of the county by percentage increases, but cannot reduce the aggregate below the aggregate values returned by the assessors.

The board may raise the valuation of each class of personal property if deemed too low, and also the aggregate value of personal property of individuals or corporations if assessed at less than its true value. It may also reduce the assessed value of each class of personal property when in its judgment it is assessed too high, but it cannot reduce the personal property assessment of individuals except in the case of non-residents of the district in which the property is assessed, nor can it reduce the aggregate value of personal property below the amount returned by the assessors. Before increasing the assessed value of tracts of real property or individual assessments of personal property notice must be given to the interested parties if residents of the county.

The board may continue in session four weeks. The members are paid $3.00 per day and 10 cents a mile travel pay, except that they shall not be paid for more than 10 days' service or mileage for more than one session. Boards in counties of more than 150,000 population are excepted from this limitation.

The auditor is required to keep a record of the proceedings of the board and to publish the same. After the adjournment of the board he is required to calculate the changes ordered by the board and to make corrections accordingly and to transmit an abstract of the assessment to the Minnesota tax commission on or before the fourth Monday in August.

Equalization by Tax Commission

All of the powers formerly vested in the state board of equalization are now exercised by the Minnesota tax commission. Broadly stated the principal duty of the commission so far as equalization is concerned is to equalize the assessed valuation of real and personal property as between the counties of the state.

The commission sitting as a board of equalization meets annually on the second Tuesday of September and must complete its work before the first Monday of January following.

The law gives to the commission powers as a board of equalization, viz:

First. To raise or lower, as to them may seem just, the aggregate valuation of real estate in any town, village, city or county by adding to or deducting therefrom such per cent as will in their judgment put the same upon an equality with like property in the other counties of the state.

Second. To raise or lower the assessed valuation of any tract or lot of real property in any town, village or city to an equality with like property. In case of a raise, however, notice of their intention and of a time and place of hearing must first be given by mail.

Third. To raise or lower the aggregate valuation of any class of personal property in any county, town, village or city by adding to or deducting from the same such per cent as will in their judgment put the same upon an equality with like property in the state.

Fourth. To raise or lower the personal property assessment of individuals, firms or corporations as returned by the county boards of equalization which they may believe to be undervalued or overvalued. But in case of a raise notice of their intention and of a time and place for hearing must first be given to such persons.

In addition to the above the commission has many other powers relating to the assessment of property which will be more fully treated in a subsequent article.

Equalization by Reassessment

In the preceding article the authority vested in the tax commission, sitting as a state board of equalization, to raise or lower the assessed value of real and personal property was fully explained. In addition to these powers, the commission may also equalize assessments by causing a reassessment to be made of real and personal property, or any class of personal property in any taxing district of the state. Such reassessments may be ordered on verified complaint or by the commission on its own motion, and may include all or any of the real or personal property in any district.

When a reassessment of a district is decided upon the tax commission appoints a special assessor and such deputies as may be necessary to make such reassessment. The special assessor and deputies need not be residents of the district or county wherein the reassessment is to be made, but must be citizens of the state.

The special assessor proceeds to make a new assessment of the property ordered reassessed, and when completed, makes verified returns of the same to the tax commission. The reassessment so returned is equalized by the tax commission in order to make it substantially conform with like property in the same county, or throughout the state. A verified copy of the reassessment is then transmitted to the county auditor of the county wherein such reassessment was made and becomes the official assessment, superseding the original assessment made by the regular assessor.

Any person feeling himself aggrieved by an assessment so made against him or any property owned by him may appeal to the district court of the county in which such assessment was made. The procedure in an appeal is very simple. The aggrieved party files a notice of such appeal with the county auditor within 30 days after the making of such assessment, specifying the grounds upon which the appeal is made, and it at once becomes effective. The appeal is heard and determined by the district court in the same manner as other tax matters are tried and determined.

The compensation paid special assessors and deputies is fixed by the tax commission. The expense of making a reassessment is certified to the state auditor and is paid out of the state treasury in the first instance but in the end the district reassessed pays the expense. The state auditor notifies the county auditor of the amount of such expense and the latter levies a tax on all of the taxable property of the district wherein such reassessment was made, and when collected, it is paid into the state treasury.

The authority to cause reassessments to be made is one of the most important powers vested in the tax commission. It permits the commission when any considerable amount of property has been omitted from the tax rolls in any district, or if assessed, it has been undervalued or overvalued, to correct the injustice by ordering a reassessment of such district. While undervaluation or overvaluation may be corrected by equalization, omitted property can only be effectively reached by reassessment.

Taxes, How and by Whom Levied

The law provides that all taxes shall be levied or voted in specific amounts, and the rate per cent shall be determined from the amount of property as equalized by the tax commission each year, except such general taxes as may be definitely fixed by law.

Five different official bodies have to do with fixing the amount of the tax levy each year—the state, the county, the town, village or city, and the school district.

The state rate for general revenue purposes is determined by the legislature and may vary from year to year according to the needs of the state, the levy for such purpose this year being 1.9 mills. The total state levy this year for all purposes, including the one mill school tax, is 3.88 mills.

County taxes, except as otherwise provided in case of counties having more than 150,000 population, are levied by the county board at its meeting in July of each year, and are based upon an itemized statement of the estimated expenses for the ensuing year, which statement must be included in the published proceedings of the board.

City and village taxes are determined by the local authorities in accordance with the methods prescribed in their charters.

The amount of taxes to be raised for town purposes is determined by the voters at the annual town meeting.

School taxes, except in districts organized under special laws, are determined by the voters at the annual meeting.

The amounts of the different taxes so determined must be certified to the county auditor on or before October 10 of each year. The county auditor then computes the rate necessary to produce the required revenue and makes the levy accordingly.

There are, however, certain limitations on the amount of taxes that may be levied for different purposes in any one year.

Except where county commissioners, township supervisors or corporate authorities of any city, town, village or school district are authorized by special law to levy any tax, the amounts that may be levied are limited as follows:

Counties whose taxable valuation is $1,000,000 or more, may not levy taxes in excess of 5 mills for general revenue purposes, and counties having a less valuation not in excess of $5,000, or exceeding a rate of 1 per cent.

Town taxes for revenue purposes shall not exceed 2 mills where the valuation is $100,000 or more, nor more than $150 where the

valuation is less than $100,000, and then not to exceed one-half of 1 per cent. But towns may levy taxes for roads and bridges not to exceed 10 mills on the dollar, and for support of poor not in excess of 5 mills on the dollar.

School districts, in addition to the general 1 mill tax, may levy a tax not in excess of 15 mills for support of schools and 1 per cent for erection of school houses.

The Collection of Taxes

As explained in the preceding article, the county auditor computes the rate of levy necessary to produce the aggregate amount of money required by the four separate taxing authorities, and extends the tax against each description of land and each individual assessed for personal property.

The auditor makes a separate tax list for each taxing district of the county showing ownership and description of property, with columns for the valuation and for the various items of taxation included in the total.

The tax lists are turned over to the county treasurer by the auditor on or before the first Monday in January of each year, and the treasurer proceeds to receive and collect the taxes therein levied.

On receiving the tax lists from the auditor the treasurer, if directed by the county board, is required to give three weeks' published notice in a newspaper, specifying the rate of taxation for all purposes, and the amounts raised for each specific purpose. He may also be directed by the county board to visit different places in the county for the purpose of receiving taxes.

Personal property taxes become due and payable on and after the delivery of the tax lists to the treasurer, and if not paid before March 1, they become delinquent and a penalty of 10 per cent is added.

Taxes on real estate also become due and payable on delivery of the tax lists to the county treasurer, and if not paid before June 1, a penalty of 10 per cent is added; and if such taxes remain unpaid until January 1 following, an additional penalty of 5 per cent is added.

The law, however, permits the payment of real estate taxes in two installments—one-half prior to June 1, and the remaining one-half any time prior to November 1, provided that the taxes charged against any tract or lot of land exceeds one dollar.

Upon payment of any tax, the treasurer is required to issue his receipt therefor, showing the name of the person, the amount and date of payment, and the land, lot, or other property on which the tax was levied, and the year or years for which such levy was made.

Personal property taxes are assessed against the person and not against the property, while real estate taxes are assessed against the property and not against the person. If personal property taxes become delinquent collection is enforced against the person assessed by distress and sale of any personal property he may own, while the collection of delinquent real estate taxes is enforced by the sale of the property assessed.

The next article will explain the provisions of law relating to the collection of delinquent real and personal property taxes.

The Collection of Delinquent Taxes

Real estate taxes become delinquent on June 1, and personal property taxes on March 1 of each year. If not paid before these dates a penalty of 10 per cent is added, and any county treasurer who accepts payment of the taxes without including the penalty becomes personally liable for the amount of the penalty.

The collection of delinquent real estate taxes, as explained in the preceding article, is enforced against the property assessed, and personal property taxes against the person assessed.

In the case of delinquent real estate taxes, on or before February 1 in each year the county auditor files with the clerk of the district court a list of all tracts of lands or lots on which taxes are delinquent which list has the effect of a complaint in an action by the county against each tract or lot on the list.

Five days thereafter the clerk returns a copy of such list, together with a citation to all persons interested to show cause why judgment should not be entered against each tract or lot of land. Publication of the notice and list is made by the county auditor, and 20 days after the expiration of the notice the clerk enters judgment against each tract or lot as to which no defense is made for the taxes, penalties and costs.

On the first Monday in May following, the county auditor sells at public vendue all tracts of land against which judgment has been entered, first giving 10 days' notice thereof. Each tract or lot is sold separately and a certificate of sale issued to the purchaser. Three years thereafter, unless the land be redeemed, the

purchaser of the tax certificate or the assignee, upon complying with certain legal requirements, becomes the absolute owner of the property.

In the case of delinquent personal property taxes, the county treasurer is required on the fifth secular day of April to file with the clerk of the district court a list of all personal property taxes remaining unpaid on April 1, and 10 days later, the clerk of the court issues warrants to the sheriff of the county directing him to proceed to collect the same by the seizure and sale of any personal property owned by the delinquent.

Any person whose name is embraced in the delinquent list may on or before April 15 file an answer with the clerk of court, verified as pleadings in civil actions, setting forth his defense or objection to the tax or penalty, and thereafter the issue raised is heard and determined by the district court.

If the sheriff for any reason is unable to collect the delinquent personal property tax assessed against any person he is required to report such failure to the clerk of the district court on June 1 following. Ten days later the clerk files the list of delinquents with the county treasurer, who in turn files it with the county board.

The county board examines the list of delinquents, and may cancel such taxes as it deems cannot be collected. The names of those against whom the taxes have been cancelled, as well as the names of those remaining on the revised delinquent list, must be published in the official proceedings of the board.

Citations are then issued to the delinquents requiring them to show cause at the next term of the district court why they should not pay such taxes, penalties and costs. If they fail to pay or answer, judgment is entered against them. Execution may be issued upon the judgment against any property owned by them in the same manner as provided by law in case of executions upon judgments in civil actions.

Taxation of Money and Credits

Money and credits have always been subject to taxation in Minnesota. Prior to 1911 the state attempted to tax such property on the same basis and at the same rate as other classes of personal property, but never succeeded in getting even a reasonable percentage of it on the tax rolls.

The nature of the property is such that it can be easily con-

cealed. In 1910 the total amount of this class of property listed for taxation was less than $14,000,000, an amount conservatively estimated to be less than 3 per cent of the actual value of such property owned in the state.

Realizing the impossibility of getting such property on the tax rolls under existing laws, the legislature in 1911 passed a law imposing a flat rate of three mills on the dollar, or thirty cents on each hundred dollars of valuation, such tax to be in lieu of all other taxes on this class of property.

The new law, known as chapter 285, Laws of 1911, provides that such property shall be listed and valued on a separate listing blank and shall include "money and credits" as defined in the Revised Laws of 1905.

"Money" means all money owned by a person whether in hand or on deposit in a bank in this or some other state.

"Credits" include all book accounts, bills receivable, mortgages and land contracts not recorded in this state, promissory notes, bonds, rents, annuities, and all other claims or demands for money or other valuable thing.

The assessment is to be made at the fair cash value of the property, and not at a percentage of such value. Debts cannot be deducted from credits.

The law requires each person subject to the tax to make a sworn return of his money and credits on the listing blank furnished him by the assessor. Such return must be made on or before June 1.

The assessor is required to accept the items of such list as true, unless the person making the return refuses to answer on oath all reasonable and necessary inquiries as to the nature and amount of his property taxable under this law. The assessor may, however, place his own valuation on the property so listed when in his judgment the valuation returned by the owner is not the true and full value of the property.

If any person subject to the tax refuses or neglects to make a return as provided for in the law, the assessor is required to make an arbitrary assessment against such person based upon the best information he can obtain, and then add 50 per cent to the valuation as a penalty for such refusal or neglect.

In making an arbitrary assessment the law does not require the assessor to have exact knowledge of the value of the property; he is authorized to make the assessment upon "his best information and belief" and in such cases he must impose the penalty. If the assessor should overvalue any of the items of the property the person against whom the assessment is made is not entitled to any relief, unless the aggregate of such assessment is excessive.

If a person was assessed for this class of property last year and fails to make a return this year, the assessor is required to make an arbitrary assessment and cannot fix the amount at less, but may make it more, than the amount legally assessed against such person last year.

Even though a person claims that he does not own any of this class of property he should nevertheless return his list to the assessor setting out such fact duly sworn to.

The 1911 Changes in Money and Credit Laws

In 1911, as explained in the preceding article, a somewhat radical change was made in the method of listing and assessing money and credits in this state. For more than 50 years Minnesota had been trying to reach such property for purposes of taxation with the same machinery and in the same manner as we taxed tangible personal property. Our experience was not materially different from that of other states and countries that had followed the same methods—at no time did we ever get more than a fraction of such property on the tax rolls.

Two causes have largely contributed to our failure to reach this class of property for purposes of taxation—the intangible nature of the property and the high rate of taxation that prevailed in most of the taxing districts of the state.

Such property, known as intangible personal property, can be easily concealed, because, unlike live stock, or manufactured goods, or the goods and wares of a merchant, it is not susceptible to the touch or eye of taxing officials and cannot be appraised with the same degree of accuracy as tangible personal property. For this reason we are compelled to rely largely on the declaration of the owner as to the value of his property of this character.

Experience in this and every other state has demonstrated that when a tax rate consumes more than 10 per cent of the income from this class of property it will not be voluntarily listed for taxation. The tax rates vary in different taxing districts of this state from about 1½ per cent to more than 10 per cent, the average for the state this year being nearly 3 per cent. This means that in some districts the taxes on credits would amount to more than the entire income from such property, while the average rate in the state would consume from 40 to 60 per cent of such income. Under

such conditions the natural tendency is to conceal such property from taxing officials, and perhaps justifiably so, for no man should be expected to contribute more than half of his income for support of government.

Realizing the difficulty of reaching this class of property for purposes of taxation under the prevailing system, the legislature, in 1911, passed a law imposing a flat rate of three mills on the dollar on such property. It was felt that a low uniform rate of taxation would result in placing a large amount of this class of property on the tax rolls that had heretofore entirely escaped taxation. It was contended that the average man desired to be honest and that a low rate would permit him to make a truthful return of property of this character that he might own without the fear of having most of its income confiscated for taxes.

The results the first year under the new law have fully justified these conclusions. The assessed value of this class of property returned for taxation in 1910, under the old law, amounted to less than $14,000,000, while in 1911 the amount listed for taxation under cent in one year. In 1910 the assessed value of this class of propthe new law exceeded $115,000,000, an increase of nearly 850 per erty represented only 4.2 per cent of the bank deposits of the state, while the assessment of 1911 amounts to 33.8 per cent of such deposits.

Notwithstanding the low rate the total tax derived from this class of property in 1911 was but slightly less than in 1910, 67 of the 86 counties of the state showing an actual increase, while 52 of the 64 cities and villages of the state having a population of 2000 and over made substantial gains in revenue over 1910. Not only is the increase a very gratifying one, but the returns show conclusively that the tax is much more equitably distributed among the people than it was under the old law.

It is confidently expected that the assessment this year will show a considerable increase over last year. The purpose of the law is now better understood by both the people and the taxing officials than it was a year ago. The tax imposed under the law is not burdensome; it has been sustained by the supreme court, and is now an established part of the taxing system of the state. It is entitled to a fair trial, and if the ultimate results, after it has had a fair trial are not satisfactory it can be repealed.

Some criticism of the law is heard because it does not permit of the deduction of debts from credits. It should be remembered, however, that a person who owes a debt on his farm or his home,

or on his farm implements or household goods or merchandise is not permitted to deduct such debt from the assessed value of the property. There is perhaps as much justification on the grounds of equity for deducting debts from these classes of property as from credits, but no such deductions have ever been permitted under the law. In the opinion holding that debts cannot be deducted from credits the supreme court says:

> Though this result leads to a departure of the long settled policy of the state to allow the deduction of debts in taxation of this kind, that policy was at its inception of doubtful merit, in that it extended to one class of taxpayers a favor not granted to others. It permitted the taxpayer holding credits to deduct his debts from the amount of his assessment, and denied the right to any owner of other property who was also in debt.

The Rate of Taxation

An entirely unwarranted importance is given in the popular discussion of taxation to the rate of levy. It is often discussed as if it were the main factor in taxation, while as a matter of fact, the important factor is the amount of money to be raised for public purposes in any taxing district. A high rate, of course, is generally regarded with disfavor by investors. One of the first questions asked by an intending investor in lands or business enterprises is: What is the rate of taxation? If it is high it discourages him and he is very liable to regard such a community as an undesirable place for investment.

Knowledge of the several steps taken in the process of raising public revenues, which prior articles have fully explained, should show how erroneous is this importance given to the rate. The rate is a mathematical convenience and may be high or low without really affecting the amount of taxes to be paid, for if assessed values are high the rate will be low, and vice versa; if assessed values are low the rate will necessarily be high.

The very first step taken is the fixing of the amount of money to be raised, and that, rather than the rate, determines whether the tax will be high or low.

When the amount of money to be raised is determined the fixing of the rate is simply a matter of mathematical calculation. The assessed value of the property and the amount of revenue to be raised are the important features in the tax, the rate being simply the factor used to compute the proportion of the total tax that each taxpayer should contribute.

Let us illustrate: Suppose a taxing district having an assessed

value of $1,000,000 desires to raise $10,000 for public purposes by taxation. Clearly a levy of 10 mills or one cent on each dollar of assessed value would be necessary to produce the required amount of revenue. Now suppose the assessed value of the same property was increased to $2,000,000, then 5 mills or one-half of one cent on each dollar would be sufficient to produce the required $10,000. In the first case, A's property being assessed at $1,000, he pays $10 in taxes; in the second case, while his assessed value has been doubled, the rate has been cut in half, and he still pays but $10 in taxes. The rate thus becomes a mere incident, and not at all a matter of first importance.

It is, however, of great importance that assessed values of the same classes of property be on a uniform basis. In the first illustration given above, if B's farm is assessed at $3,000 his taxes would amount to $30, while his neighbor, C, with equally as valuable a farm assessed at $2,000, gets off with a tax of $20. But the rate is not responsible for the discrimination in favor of C—either the assessor or the board of review, or both failed to do their duty in that they did not equalize the assessments between B and C. Equality rather than the rate is the important feature in any just system of taxation.

The Mortgage Registry Tax

Prior to 1907 mortgages were assessed and taxed in the same manner as other classes of personal property. The register of deeds was required to furnish a list of all mortgages or other real estate securities held, owned or controlled by residents of each district. Such list was appended to the personal property assessment book and was assessed in accordance with the amount due on each instrument.

The tax could rarely be enforced against non-residents of the state, and as a result, a non-resident could loan money at a slightly lower rate of interest and still derive a greater net revenue from his loan than a citizen of the state. To overcome this disadvantage the practice became common of having the mortgage recorded in the name of a non-resident, even when actually owned by a citizen, thus evading the tax. As a result of this practice a very small amount of public revenue was derived from this source of taxation.

In 1907 the legislature passed a law imposing a tax of fifty cents, in lieu of all other taxes, on each hundred dollars of the principal debt or obligation secured by the mortgage. This law

1911, $ 522, 108.22
1912, 527, 395.75
1913, 467, 768.13
1914 286, 499.13

applies to all mortgages whether owned by residents or non-residents of the state, except mortgages taken by persons or corporations whose personal property is expressly exempted by law. The revenue derived under the law for the year ending September 30, 1909, amounted to $385,910.91, and for the year ending September 30, 1910, $509,542.26, the total collected since the enactment of the law to the last named date, being ~~$1,320,072.60~~ Sept. 30, 1914 3,124,694.65.

The mortgage registry tax is in a measure a compromise between those who believe that mortgages should not be taxed at all and those who believe they should be taxed. It is contended by some that to tax both the mortgage and the property upon which the mortgage is secured is double taxation. If this be true, then the mortgage registry tax law practically removes the double burden, for the tax is now so light on the former as to be scarcely noticeable. The average life of a mortgage is said to be about five years. This would make an annual rate of only one-tenth of 1 per cent instead of from 2 to 3 per cent as under the old law. Such a tax can scarcely be called burdensome. It may be interesting to note that the supreme court has construed the law as a tax on the security and not on the debt. In other words, the tax is imposed on the right to record the mortgage and not on the debt secured by the mortgage.

One objection to the law is that the mortgagor pays the tax. The answer to this objection is that the mortgagor practically always paid the tax either directly, or indirectly, in increased interest rates. "Under the forces of supply and demand the rate of interest is controlled by economic law. The lender under this principle gets a compensation for his capital that is based on its value to the community. Every attempt by usury law to take any part of this from the lender results in the removal of the capital elsewhere." Men are not obliged to loan their capital and will only do so upon conditions that appear to them satisfactory. Unless the borrower complies with these conditions he cannot secure the loan. Under such circumstances it is doubtful if any law could be enacted that would compel the lender to pay the registry tax.

The mortgage registry tax, like the three mill tax on money and credits, is a distinct departure from the principle of the general property tax. Both laws in a measure recognize the now generally admitted fact that our attempts to tax intangible personal property in the same manner as tangible property has everywhere and always resulted in failure.

Why Taxes Are Necessary

Organized society, usually called government, has many objects besides securing to people the "right to life, liberty and the pursuit of happiness." To attain these ends it frames policies promotive of the general welfare and it devises ways and means to defray the cost of carrying out its policies. The latter is the age-long problem of taxation.

It is a general policy of government to do those things for all which no one could do as well or at as low cost for oneself. For instance, it establishes public schools under that policy. To secure to all the "right to life, liberty and the pursuit of happiness" it must preserve order, insure enjoyment of those rights, protect individuals and property. To do this it has to establish and maintain courts and their staffs of officials. To give effect to these and the many other functions of government public buildings must be erected and maintained, land and material bought and a large number of persons employed, all of which must be paid for.

Organized society has no other way to obtain the money with which to defray these costs than by compelling those who get the benefits to contribute the money. It cannot "make money." It can borrow it, but that merely defers to a future time the call upon the citizen. Without money to carry on its activities government could not exist and society would relapse into the barbarism from which its organizing redeemed it. This is the inescapable condition that makes taxation necessary.

Out of the experiments of governments in the past, modern governments have come to derive revenue mainly by two methods, one the direct, the other the indirect method of taxing. The direct tax is based upon Adam Smith's third principle that "everyone should contribute to the general expense in proportion to his ability to pay." In theory, although not always true in practice, ability to pay is measured by the amount and value of property owned by an individual and is known with us as the general property tax. The indirect method levies a tax on a commodity or service. Except where limit is put upon what price may be charged for commodity or service, those owning the one or rendering the other may add the tax to cost and, merged in price, pass it on to be paid by the consumer or the served. Of this form of taxation our gross earnings tax and the license paid by liquor dealers are illustrations.

The direct tax is intended to rest where paid and not be shifted on to others and, largely, this is true. It cannot be shifted where

the person paying it cannot make the price of what he sells. It can be where that power exists, as with landlords, for instance, who may merge taxes in rentals, or money lenders who may make borrowers pay the tax levied on credit instruments. But whichever method is adopted payment of the tax is essential to maintenance of government.

How Each Dollar Paid in Taxes is Divided Between the State and its Subdivisions

As explained in a previous article, there are five independent taxing powers under our system of government—the state, the county, the town and the village or city, and the school districts. Under certain limitations each of these units of government has the power to determine how much money it needs for the proper discharge of its functions. These amounts are certified to the county auditor. The auditor computes the rate of levy necessary to produce the required revenue for each district and extends the tax accordingly. The county treasurer collects the entire tax and pays each respective unit the proportion due it.

While the average taxpayer knows just how much money he paid for taxes last year, comparatively few know how much of such amount went to each unit of government, and for what purposes it was used. It is the purpose of this article to explain briefly how each dollar paid in taxes is divided between the state and its various subdivisions.

The total tax levy for 1911 for all purposes—state, county and local, exclusive of special assessments for local improvements in cities and villages, amounted to $34,034,658. The levy for the different units of government was as follows:

State, exclusive of schools and university	$3,953,057
Counties	6,232,860
Towns	2,966,010
Cities and villages	9,178,998
Schools and university	11,703,733
Total	$34,034,658

What portion of one dollar paid in taxes went to each of the different units of government, taking the state as a whole, is readily ascertained by applying the old "rule of three," or simple proportion. We thus find that of each dollar of taxes paid into county treasuries, the state received 11½ cents, the county 18¼ cents, the town 8¾ cents, the cities and villages 27 cents, and the schools and university 34½ cents.

It is interesting to note that of each dollar paid in taxes practically 88½ cents are collected for local purposes, while only 11½ cents go into the state treasury, and nearly all of this amount finds its way back into the local districts in state appropriations for roads and bridges and other purposes.

In 1910, of the 85 counties of the state, 77 received more money from the state treasury than they contributed to the state in taxes.

A subsequent article will show the particular purposes for which each dollar of taxes is spent, and who spends it; also the amount of revenue derived by the state from gross earnings and other special taxes, and what is done with it.

The Public Attitude Toward Taxation

Up to a comparatively recent period taxes were regarded by most people as a necessary evil. The old proverb that "nothing is certain but taxes and death" expressed the public view. This attitude of the public mind was in part at least an inheritance from the days when taxes were a tribute laid by rulers on their subjects. Little attention was given to the manner in which such taxes were levied, or the rules governing equality of contribution. Often the people received but little in return for their money, and of course, tried to pay just as little as possible.

Today, however, taxes are levied and collected for public purposes and not for private gain. They are not now regarded as a tribute, but as a reasonable and just contribution from those enjoying the benefits and protection of organized society, called government, to enable it to do certain things for the welfare of all the people that if left for each citizen to do for himself would be more expensive and less effective.

While the "tax dodger" is still with us the average citizen is now willing to pay his just proportion of the cost of government, feeling that the money so paid is, generally speaking, wisely and judiciously spent in promoting the public welfare. He realizes the value and importance of good schools, of good roads, of fire protection, of health and sanitation, of courts and public officers for the administration and enforcement of law and order, and of the many other things now required of government by enlightened and progressive nations.

In the report of the tax commission for 1910 there is a very interesting study of the cost of government made by Professor Hess, then of the State University. Taking the expenditures under ap-

propriate heads and the population, he derives from them the per capita cost of the administration of the state and its minor divisions. He found that it cost $20.92 for each man, woman and child in the state, or $104.60 for a household of five persons.

The largest item in the classified list of public expenses is that of education, amounting to about 40 per cent of the gross expenditures. The total number of pupils attending the public schools in 1910 was 440,083 and the gross sum expended in that year for teachers' salaries and other educational expenses amounted to $13,724,437. This represents an average cost of $31.18 for each pupil attending the public schools in that year.

Minnesota early in its history took an advanced position in educational matters and for more than fifty years it has steadily maintained that position. It is justly proud of its splendid school system. It has no apologies to make for spending two-fifths of its total revenues from taxation in the cause of education, for it believes that its liberal and progressive educational policy has contributed in no small measure to the present greatness of the state.

People frequently complain of high taxes and talk as if the benefits received were not equivalent to the amount paid. Generally speaking, these complaints are not well founded. While taxes may be high in some districts, due to local conditions, as a general proposition the benefits received are not only worth more but cost the state more than the amount contributed in taxes by the average citizen.

The cost alone of educating one child in the public schools is one and one-half times as much as the per capita cost of state and local government for all purposes. If the cost of the other benefits we enjoy as the fruits of taxation could be computed as accurately as the cost of education it would be found that the average citizen pays much less in taxes than it costs the state to provide him with the advantages and benefits he enjoys under our system of government.

The Cost of Government in Minnesota—No. 1

How much do the people of Minnesota pay per capita for the support of government, including national, state and local? What part is this sum of their total wealth? Is the burden of taxation in Minnesota increasing faster than population or wealth? If so, is it due to the extension of public industries, or how is it to be explained? For what purposes are the vast amounts of money spent which are raised by taxation and public loans? What is

the present outstanding debt of all grades of government in Minnesota, and what is the annual interest charge on such debt? Is current revenue sufficient to meet ordinary expenses, or are some municipalities going constantly deeper into debt in order to pay interest on previous loans and meet running expenses? Especially, how do the several counties, cities and villages compare in these respects with one another and with similar governmental units elsewhere?

In a democratic country, where the final decision in all public matters rests with the people, every intelligent citizen ought to be able to answer these questions; but until very recently, no citizen of Minnesota could hope to find out so much as the aggregate amount of tax which he paid, to say nothing of the purposes for which it was spent or the amount of public debt resting upon him. The first serious attempt to furnish information on this point was made in chapters XXII and XXIII of the report of the Minnesota tax commission for 1910. The interest aroused by that report was convincing evidence that it met a real public need.

The tax commission has therefore resolved to continue the study of the cost of government in Minnesota in its report for 1912. To that end, the commission has created a Department of Research and Statistics, and has appointed as directer of it Professor E. V. Robinson, who has charge of the courses in public finance and taxation at the University of Minnesota.

The starting point in any study of the cost of government must be public expenditures. A private citizen regulates his expenditures according to his income, if he means to avoid bankruptcy; but in the case of governments, what is appropriated by the legislature and other spending bodies determines how much must be raised by taxation. Not a few citizens, indeed, denounce high taxes yet constantly urge their representatives in congress and the legislature to support bill after bill calling for increased appropriations. Such persons apparently think it is possible for the government to eat its cake and keep it at the same time. The fact is, however, that the government has no magic fund of wealth at its disposal, but must take from the pockets of the people whatever it determines to spend.

The next article will show wherein the present investigation is more extended than the one of 1910, and why this expansion was necessary in order to make plain the character of public expenditures in Minnesota.

The Cost of Government in Minnesota—No. 2

The cost of government is measured by the taxes actually collected rather than by the amount levied.

In Minnesota there is considerable variation, from county to county, in the per cent of taxes collected; and the larger the proportion of uncollected taxes is, the higher the rate of taxation must be made in order to produce the necessary revenue. The effect of uncollected taxes is thus to create a gap between the amount of taxes levied and the amount collected; and the wider this gap becomes, the less reliance can be placed on the tax levy as a test of the real cost of government.

The previous investigation, given in the report of the tax commission for 1910, was pioneer work in Minnesota and conducted under many difficulties. Reliance was therefore placed on the tax levy (as reported in the abstract of tax lists filed with the state auditor) to show the amount raised by taxation for the county and the minor subdivisions of the county, as classes; and only municipalities of 5,000 or more population were asked to report actual receipts of taxes and actual expenditures, the others being requested to report merely receipts from licenses, fees, fines and sales.

In the present investigation, for the reasons stated above, it has seemed desirable to ask county auditors, and the accounting officers of all cities and villages in Minnesota to report the actual receipts from taxation, as well as from other sources; and likewise the actual payments for all purposes. Since all taxes for minor subdivisions of the county are handled through the county treasury, these statements from the county auditors will show the actual receipts from taxation by all townships, taken together; also the tax receipts of cities and villages, and of all school districts, as classes.

Again, the public schools absorb a very large part of the public revenues; in many communities, indeed, not far from half the money raised by taxation. In the previous investigation the tax levy for school purposes was shown by counties, but actual school receipts and expenditures were given only in the large cities. This omission, as explained in the report of the commission for 1910, was due to the fact that the school district frequently does not coincide in boundaries with the municipality, and usually has a separate board of education, so that no one is able to furnish a consolidated statement of receipts and expenditures for all purposes, including the schools. Moreover, owing to the difference in boun-

daries, it is exceedingly difficult and sometimes impossible to combine separate statements for the city and the schools so as to give a correct and consistent total. Nevertheless, in the present investigation schedules calling for actual receipts and payments have been sent to the clerks of all school districts which include municipalities of 1,000 or more population, and the attempt will be made to consolidate the school and the city or village statements so as to show the real total cost of government in as many communities of various sizes as possible.

A subsequent article will discuss the necessity of making certain distinctions which are not commonly observed in municipal accounts, such as that between general and commercial revenues, and between current expense and permanent improvements, in order to find out what is actually the cost of government in Minnesota.

The Cost of Government in Minnesota—No. 3

Taxes are a compulsory contribution toward the expenses of government, and all citizens are supposed to contribute according to their several tax-paying abilities. In like manner fees and fines are compulsory contributions, not indeed according to tax-paying abilities, nor from all citizens, but from all of certain classes or in certain circumstances. All of these receipts are consequently classed as "general revenues," and the sum total of general revenues taken from the people in the long run measures the true cost of government.

In contrast to general revenues, commercial revenues are received by the government in return for some special service. In paying such sums to the government, the citizen merely pays for value received, much as he does at a grocery or a dry goods store. It is on this account that the name "commercial revenues" is employed for this class of receipts. For example, when a man pays a special assessment for a ditch, or sewer, or sidewalk, he is helping to pay for a public improvement which is supposed to increase the selling value of his property by at least the amount of his assessment. In case it does this, he gets back, in another form, all that he pays. Only in case he is assessed more than the benefit to his property is he taxed at all, while in all cases where he is assessed less than the benefit to his property, he actually profits by the transaction. It is clear, therefore, that special assessments, unless in excess of benefits to the property, are not a part of the

cost of government. On this account it is essential to separate special assessments from taxes, special assessment loans from general loans, and interest payable on special assessment loans from interest on general loans.

The same line of reasoning applies even more clearly to publicly operated public service enterprises, such as waterworks, electric, gas, heating and power plants, telephones, scales, markets, auditoriums, skating rinks, cemeteries, warehouses, ferries, and other enterprises which furnish to the public a specific commodity or service in return for a specific price. In all these cases, the public enterprise is merely a substitute for some private enterprise which would otherwise be patronized. What the individual pays for its service is therefore as little a part of the cost of government as what he would pay to similar private concerns. Such public enterprises consequently figure in the cost of government only in the event, and to the extent, that they fail to be self-supporting and consequently become a charge on the general revenues. For this reason, as in the case of special assessments, it is essential that the receipts and payments for all public service enterprises, the debts incurred on their account, and the payment of interest and principal, on such debts, be kept entirely distinct from all similar items pertaining to the municipality in general. Unless such separation is rigidly carried through, it is hopeless to attempt to learn the real cost of government.

The next article in this series will consider certain fundamental distinctions between classes of expenditures, in relation to the cost of government.

The Cost of Government in Minnesota—No. 4

In the preceding article, attention was called to the fundamental distinction between general revenues, derived from taxes, licenses, fines, etc., and commercial revenues, including special assessments and the earnings of public service enterprises; and it was pointed out that unless these classes of income are reported separately, no one can find out how much or how little of a burden the government really imposes on the people.

On the side of expenditures, an equally fundamental distinction exists between maintenance charges and the cost of permanent improvements. Under maintenance are included current expenses of all sorts, ordinary repairs, and such a per cent for depreciation as will be sufficient to renew the physical plant by the time it is worn

out. This sort of accounting is customary in all well-managed private enterprises; it is equally indispensable in all public service enterprises undertaken by the municipality; and it is essential in the ordinary operations of government, if the public is to have the means of knowing what is the real cost of government, and whether current revenues are equal to the expenditures properly chargeable against them.

Permanent improvements, on the other hand, cover investments in lands, buildings, bridges, new highways and other physical properties which are designed to serve for a number of years. Expenditures for such purposes are often met in whole or in part by public loans; and in any case they are not properly a part of the cost of government in any one year, but should be spread out over a number of years corresponding to the durability of the improvements in question.

It is therefore absolutely necessary to separate payments for maintenance from payments for permanent improvements, both in public service enterprises managed by the municipality and in the ordinary operations of the government. Unless this is done (and in the systems of accounting used by municipalities it is often not done) no one on earth can tell what is the true cost of government, nor whether public service enterprises conducted by the government are really making money or losing it, nor whether the present generation is paying its way, or saddling upon the future not only the cost of permanent improvements but a part of the expenditures for the salaries of public officials and other current expenses.

In fact there is no doubt that various municipalities actually have revenues insufficient to pay maintenance charges plus interest on the public debt, and as a result are every year going deeper into debt to meet current expenses by piling up larger masses of unpaid warrants, or overdrawing at the bank, or borrowing money and using a part of it to pay bills which should be paid from revenues. This is clearly the road to financial ruin, yet it is to be feared that some communities are treading it, quite unconsciously, because their public accounts neglect these fundamental distinctions; and unless these distinctions are observed, a financial statement tells little which it is important for the public to know.

It was in view of considerations such as the foregoing that the schedules for the present investigation into the cost of government in Minnesota were prepared so as to call for a separation of special assessments from taxes, of general revenues from commercial revenues, of all ordinary receipts from loans and other extraordinary receipts, of maintenance charges and interest from payments for permanent improvements and debt reduction, and finally, for a classification of the outstanding debt according to its character and the purpose for which it was incurred. This undertaking is unavoidably more or less burdensome for the accounting officers who are called upon to divide some of their accounts in order to fill out the schedules, and it is not less burdensome for those in charge of the investigation; but it will be well worth doing if it brings more clearly to view the real cost of government in Minnesota.

In a subsequent article, later in the summer, it is hoped to give some of the results of this investigation into the cost of government in Minnesota.*

The Local Board of Review and the Taxpayer

On or before the fourth Monday of June the assessors of the state will have completed the work of valuing property for purposes of taxation. The assessment books are then submitted to the local boards of review. It is the duty of these boards to carefully examine the assessment of the real and personal property of their respective taxing districts as returned by the assessor, and to equalize the same and to add any omitted property to the assessment rolls.

The local boards of review are in many respects the most important boards having to do with the assessment of property for purposes of taxation. Equality of taxation depends largely on the thoroughness and impartiality of their work. Unless they are careful to see that each tract or lot of real property and each article or class of personal property is equitably and fairly assessed no subsequent step can fully correct the injustice.

Unfortunately in some taxing districts the board of review performs its duty in a very indifferent manner, or, more correctly speaking, fails entirely to perform its duty. In some districts, if no one appears to complain of his assessment, the board simply signs its approval of the assessor's work without any examination of the assessment books, and of course, in such districts, any inequalities in the valuation of property, or any omission of property from the assessment rolls remains uncorrected. Such neglect

*The results of this investigation into the cost of government were not ascertained in sufficient time to permit of their publication in this series of articles. Such results, however, will be given fully in the next biennial report of the Commission which is now being prepared.

often results in grave inequalities in taxation. Failure of the board of review to examine and equalize the assessment rolls is a serious violation of both the spirit and letter of the law. Every assessment of real and personal property should be carefully examined and any inequalities of valuation corrected before the assessment roll is approved by the board.

It is not a reflection on the honesty or good intentions of the assessor to change some of his valuations or to add property to the assessment rolls that has escaped his notice. Assessors like other human beings are fallible and may make mistakes—not intentional mistakes, but mistakes of judgment. The combined judgment of the three members of the board of review, when they have knowledge of conditions, should be better than the judgment of a single assessor, and any changes made by such boards indicate a difference in judgment rather than a reflection on the good intentions of the assessor.

While the duties imposed on boards of review are important, the individual property owner is not relieved from certain responsibilities in the equitable assessment of property for purposes of taxation. If his property is overassessed, or his neighbor's property underassessed, it is his duty in the first case and his privilege in the other to direct the attention of the board of review to such inequality. The proper time to complain of an unfair assessment is when the board of review is in session.

This board meets on the fourth Monday in June, notice of such meeting being given in advance. If any property owner feels aggrieved because of his assessment, or the assessment of his neighbor he should appear before the board and have the injustice corrected. The procedure for correcting errors is very simple when the board of review is in session, while on the other hand, when the assessment is finally confirmed and the tax extended, there is considerable formality to be complied with under the law before an error can be corrected.

Every taxpayer should make it his duty to ascertain whether or not his assessment is equitable and fair before the board of review finally adjourns.

Equalization by County Boards

As explained in a preceding article, three bodies of an official character review the work of the assessors in the valuation of the real and personal property of the state for purposes of taxation,

namely, the town or local board of review, the county board of equalization, and the tax commission.

The theory of the equalization of assessments is that the town or local board of review should equalize between individuals and classes, the county board between assessment districts, and the tax commission between counties.

The county commissioners and the county auditor constitute the county board of equalization. This board meets at the court house on the third Monday in July, being July 15th of this year, and may continue in session and adjourn from time to time during four weeks.

After each member has subscribed to an oath "to fairly and impartially perform his duties" the board proceeds to examine and compare the returns of assessment of property of the several towns or districts of the county, and to equalize the same by making such increases or decreases as may be necessary so that each tract or lot of real property, and each article or class of personal property shall be fairly and equitably assessed.

If all property were listed and assessed at its true and full value, as provided by law, there would be but little work for boards of equalization to do, but under the existing custom of assessing property at a varying percentage of value in different taxing districts the work of equalization is necessarily an important part of our assessment system.

No one can reasonably expect the board to make an absolutely perfect equalization of assessed values. That is an ideal which never has and perhaps never will be attained. The best that can be expected is to approximate this ideal. The valuation of property for purposes of taxation is largely a matter of good judgment and intelligent discrimination. This is especially true of personal property. When these qualities are fairly and impartially applied to each taxing district of a county a reasonably uniform, and hence equitable assessment will follow.

The most important thing to be kept in mind by county boards is that the same standard of valuation—the same yard stick—should be applied to all the taxable property of the county. Uniformity of valuation—the placing of all of the towns of the county on the same basis so that the assessment of property of the same kind shall be at substantially the same percentage of value in each and all of the towns—this, rather than a high or low assessment, is the desirable end to be attained by the county board of equalization.

Equalization by the Tax Commission

After the county board of equalization has completed its work the county auditor prepares an abstract of assessment of property in each of the towns, villages and cities of the county, showing, in separate columns the assessed value of land, the assessed value of structures and improvements thereon, and the assessed value of each class of personal property. This abstract is forwarded to the tax commission on or before the fourth Monday in August.

Prior to 1909 the final equalization of assessed values was vested in a state board of equalization consisting of the governor, the state auditor, the attorney general, and one member from each judicial district of the state. This board was abolished in January, 1909, by act of the legislature, and the duties and powers vested in it were transferred to the tax commission.

At the outset of its work as a state board of equalization the tax commission decided to get away as far as possible from the arbitrary method of determining values that had heretofore been followed, especially in relation to real estate, and to substitute some method that would afford a uniform measure of value for all the counties of the state.

After a careful study of all known methods it was concluded that, all things considered, the so-called "sales method" afforded the most reliable measure of true values that could be devised. This plan commended itself to the commission not only because of its apparent intrinsic value, but more especially because it was not an untried experiment. It had been used in Wisconsin and in some taxing districts of other states with very satisfactory results.

Briefly stated, the "sales method" consists in obtaining from each county of the state data showing all bona fide sales of real estate during a given period with the true consideration paid for each tract or lot transferred and the assessed value of the same as shown by the last real estate assessment. With this information it is a simple matter to determine the percentage of assessed to true value.

The method is based upon the proposition that nothing else so fairly measures the true value of real estate as the price actually paid for it in a normal transaction, and by a normal transaction is meant, an owner willing but not obliged to sell, and a purchaser willing but not obliged to buy. It is the best measure of value that the commission has been able to find, because each sale made under such conditions represents the judgment of at least two

minds—the seller and the buyer—as to the true value of a given piece of property. It is universally recognized by courts as the best evidence of value, and in the final analysis is the basis of nearly all expert opinions in such matters.

Having ascertained the actual consideration in all bona fide sales of property in each town, village and city of a county during a given period, together with the assessed value of the same, it is a simple mathematical calculation to find the average ratio or per cent of assessed to true value. The formula may be stated as follows: "As the assessed value of the lands sold is to the consideration paid for them, so is the assessed valuation of the real estate of the entire county to the full and true value thereof."

The next article will show how the data for the "sales method" is gathered and what use is made of it.

The "Sales Method" of Ascertaining Real Estate Values

The manner of ascertaining the percentage of assessed to true value of real estate by the "sales method" was briefly explained in the preceding article.

The necessary data or information for the tabulation of real estate sales is gathered by representatives of the tax commission. These representatives visit each county of the state and make a list of all transfers of real estate made by warranty deed during a given period, usually two years. Care is taken to include only such transfers as represent bona fide sales, and in which the consideration stated in the deed is the actual amount for which the property was sold. Transfers that give only a nominal consideration, or that include the exchange of one piece of property for another, or transfers between near relatives, such as father to son, are not included in the tabulation.

Each transfer listed shows the name of the grantor and grantee, the date of the conveyance, the consideration, the book and page of record, a brief description of the property, and the assessed value of each description as shown by the last preceding assessment roll.

The sales are compiled and tabulated by assessment districts and by counties. Separate tabulations are made for city and village property, and for farm property, showing in each case the total number of sales, the aggregate amount for which the property was sold, the total assessed value of the same and the percentage of assessed to sales value. This percentage is then applied to all real

estate in the district or county and becomes the factor by which its true value is determined.

Let us take Mower county as an illustration. The total number of transfers used in compiling the real estate sales in this county for the four year period ending December 31, 1911, was 1,209. Of this number 598 sales covered farm property, and 611 sales city and village property. The total consideration amounted to $4,781,465, and the assessed value in 1910 to $1,404,377, an average of 29.37 per cent of assessed to sales value. The average assessed value of the farm property sold was found to be 28.83 per cent, and of city and village property 32.10 per cent. Using these percentages as the factor the true value of real estate in Mower county is found to be $32,664,032, of which amount $27,174,745 is represented in farm property, and $5,489,287 in city and village property.

The ratio of assessed to sales value is similarly ascertained in other counties, and is used as the factor for determining the true value of real property in each county of the state. These ratios will be applied to the 1912 assessment as equalized by county boards of equalization and will in a large measure determine what changes are necessary to fairly equalize the assessment as between the different counties of the state.

It is the policy of the tax commission to notify the county auditor of any contemplated changes in his county, with a request that he give the same due publicity. Ample time is given any interested person to file objections, either personally or in writing, to the proposed changes. Such objections are fairly and impartially considered before final action is taken.

While the sales method of determining true value may not be absolutely accurate in every instance, it is, as already stated, the best measure of value that the commission has been able to find. About 250,000 sales have been listed, and as each transfer represents the judgment of two people—the seller and the buyer—as to the value of a given piece of property, the total sales included in the tabulation represent the combined judgment of 500,000 people. While the price paid may in some instances have been more than the true value of the property, it is not unreasonable to assume that there are just as many instances in which the sale price was less than true value, thus one offsetting the other.

One of the strong points in the system is that it applies the same measure of value—the same yard stick—to each district and each county in the state. Whether the values determined by the sales

method be high or low, the system affords a uniform measure of value for the entire state, and when intelligently applied, should result in as equitable an assessment as human judgment can produce.

State Equalization of Personal Property Assessments

The percentage of the personal property assessment to the total assessment of the state has varied but slightly in twenty years. In 1890 it was 18.1 per cent, in 1900, 19.8 per cent, and in 1910, 17.2 per cent of the total assessment.

The difference in the actual value of the two classes of property, real and personal, is probably very much less than the difference in the assessed value. It is difficult, if not impossible under existing laws, to reach all forms of personal property for purposes of taxation. This is especially true of so-called intangible personal property. No state has yet succeeded in doing it, so that Minnesota is not alone in its failure in this respect.

The assessed value of the taxable property of the state more than doubled in the ten years between 1900 and 1910, the exact increase being 103 per cent. The average annual increase was 6.7 per cent. The assessed value of land, however, increased more rapidly than personal property, the former showing 7.5 per cent, and the latter 5.4 per cent of an average annual increase during this period.

State equalization of personal property is much more complex than that of real estate. The sales method affords a reasonably accurate measure of realty values, but the valuation of personal property is largely a matter of good judgment, and an intelligent discrimination of changing business conditions, supplemented by the use of comparative tables, the grouping of districts of the same general character and wealth, and the use of the data furnished from time to time by the census department of the bureau of commerce and labor.

To illustrate the use of the data furnished by the census department, the number and value of the domestic animals in each county of the state in 1910 was given in a bulletin issued early in 1911. The total value of such animals in the state was fixed at $156,771,855. The assessed value of domestic animals in the state in that year was $40,592,851. Based on the census valuation the average assessed value in 1910 of domestic animals was 25.9 per cent of true value. Applying the census valuation to the different classes of domestic animals we find that horses were assessed on

an average basis of 24.6 per cent; cattle, 32.6 per cent; sheep, 21.1 per cent, and swine at 10.6 per cent of census value.

Industrial and commercial statistics are also compiled from government reports, and are compared with the assessors' returns of these classes of property. Financial reports and insurance carried are also factors in equalization.

The valuations fixed by the census department are not accepted by the tax commission as absolutely reliable, but are used in conjunction with other data to determine approximate values in different counties.

In equalizing personal property assessments comparative tables are prepared showing the assessed value of classes of personal property in each county for a period of years, and the per cent of increase or decrease for the current year. Counties and districts of the same general character and wealth are grouped and compared by classes and totals.

When a county shows any considerable decrease in the assessed value of personal property compared with the preceding assessment, or for a period of years, a special investigation is undertaken to determine the cause of the decrease. If no cause can be discovered, increases are made in order to restore the assessment to its proper place, and to equalize it with the assessment of other counties of like character.

The assessment of bank stock is perhaps the most uniform of any class of personal property in the state. State and national banks are equalized on a uniform percentage of the aggregate of their capital, surplus, and undivided profits, less real estate owned by the bank.

The above is a general outline of the methods followed by the tax commission in equalizing personal property assessments. The commission is conscious of the fact, however, that unless the initial assessment is a good one, unless all property is fully listed and equitably valued in each assessment district, it is difficult to overcome its defects by percentage increases or decreases.

Exemption from Taxation

The state constitution provides that property used for certain specified purposes shall be exempt from taxation. Exempt property may be divided into four general classes: (1) educational, (2) religious, (3) charitable, and (4) public.

In addition to the above, there may be exempted from taxation

personal property not exceeding in value $200 for each household, individual or head of a family, as the legislature may determine.

Property used for educational purposes includes public libraries, public school houses, academies, colleges, universities, and all seminaries of learning. Property leased to an educational institution, however, or property owned by such an institution but not devoted to or necessary for its use is not exempt from taxation.

Church property includes all churches and houses of worship and the land necessary for the proper use and enjoyment of the same. Mere ownership by a church, however, does not necessarily exempt the property from taxation. Under the decisions of the courts a parsonage or a rectory belonging to a church, even though used in part for religious services, is not exempt from taxation; nor is land or other property owned by a church but not used for church purposes exempt property.

Property used for charitable purposes includes public hospitals, and all institutions of purely public charity, such as almshouses, homes for orphans, the aged or dependents, and all other property devoted exclusively to public charity.

Public property includes all property of the federal and state governments, and the property of each municipality of the state used for public purposes. Property owned by a municipality but not used or necessary for public purposes is not exempt from taxation.

In a general way it may be said that it is the use, not the ownership, that determines the question of exemption. Constitutional provisions governing exemptions, and statutory laws based on the constitution, are strictly construed by the courts. Such exemptions are regarded as an abrogation of part of the sovereignty of the state, and they are consequently confined to the strict letter of the constitution, and can neither be enlarged nor extended by legislative enactment.

Notwithstanding these restrictions the legislature has from time to time enacted laws exempting from taxation other classes of property not embraced in the constitutional provision. It has, for instance, attempted to exempt the property of incorporated district and county agricultural societies, and the buildings and other property owned and used exclusively by beneficiary associations and fraternal beneficiary associations as well as an additional personal property exemption of $100 for each member of the national guard.

These laws are clearly unconstitutional and fail to accomplish the purpose for which they were enacted. As already stated, the

legislature has no authority, either directly or indirectly, to exempt property or persons from taxation except as authorized by the constitution, and as these exemptions are not authorized by the constitution, it is held by the legal department of the state that a legislative enactment attempting to do so is null and void.

The consitutional provision relating to personal property exemption leaves it optional with the legislature to decide whether there shall or shall not be any such exemption, and if any, the amount thereof, not exceeding $200. The legislature may also determine whether the exemption shall apply to each household, individual or head of a family. The present exemption of $100 applies to each individual subject to a personal property assessment.

There is considerable abuse of the personal property exemption in some districts of the state. Not a few people attempt to list their personal property in the name of several members of the family. In some cases called to the attention of the tax commission personal property was divided among as many as six members of a family when the actual and bona fide owner was the head of the family.

This practice is a serious violation of law and is punishable by fine or imprisonment. Section 5033, Revised Laws of 1905, provides that every person who, in making any statement, oral or written, which is required or authorized by law to be made as a basis of imposing or reducing any tax or assessment, shall willfully make any statement as to any material matter which he knows to be false, shall be guilty of a gross misdemeanor.

Gross Earnings Taxes

The law provides two general methods of taxing the property of corporations in Minnesota—the general property tax and the gross earnings tax. The property of corporations engaged in manufacturing and business enterprises, and the property of certain public utility corporations, such as telegraph and sleeping car companies, and water, gas and electric light companies, is assessed and taxed on the ad valorem basis the same as like property of individuals. Railroad and freight line companies, and express and telephone companies pay a certain specified amount of their gross earnings in lieu of all other taxes. Insurance companies pay 2 per cent of their gross premiums.

The first departure from the general property tax as the sole system of taxation was made before the territory was organized

as a state. In 1857 the territorial legislature granted a charter to the St. Paul & Pacific Railroad Company, now a part of the Great Northern system, which provided that, in consideration of the grants and privileges therein contained, the company should pay into the treasury of the territory or future state, 3 per cent of its gross earnings in lieu of all other taxes and assessments. A number of other railroad charters were granted in that year carrying the 3 per cent gross earnings provision.

Prior to 1871 the rate of the gross earnings tax was fixed by the legislature. In that year a constitutional amendment was adopted which provided that any change in the taxation of the gross earnings of railroad companies, either in rate or method, must be submitted to the people for their approval.

In 1903 the legislature proposed an increase of the gross earnings rate of railroads from 3 to 4 per cent. The increase was ratified by the people in the general election of 1904 and became effective in 1905.

The special session of the legislature held in June of this year provided for an increase of the rate from 4 to 5 per cent, and if approved by the people at the ensuing general election the new rate will become effective in 1913. It is also proposed to require semi-annual payments of the tax instead of annual as heretofore.

The gross earnings principle of taxation has been extended to telephone, express, freight line and insurance companies. Telephone companies pay 3 per cent, and express and freight line companies 6 per cent of gross earnings, and insurance companies 2 per cent of gross premiums.

On or before February 1st of each year all companies subject to the gross earnings tax are required to file an itemized statement with the tax commission and a duplicate with the public examiner showing the gross earnings for the preceding year.

The tax commission computes the tax and certifies the amount to the state auditor who makes a draft on the company for the amount of the tax and places it in the hands of the state treasurer for collection.

In case of failure to report earnings within the prescribed time the tax commission notifies the company of such failure, and if the default continues for thirty days after the service of such notice, the commission proceeds to fix the amount of the gross earnings for the preceding year from the best evidence it can obtain and then adds a penalty equal to 25 per cent of the tax for such failure.

With the exception of the tax on insurance premiums no distribution of the gross earnings tax is made to municipalities. The receipts from this source are credited to the revenue fund of the state and in 1911 constituted about 57 per cent of the total state revenues derived from taxation.

Basis of Valuation for Taxation Purposes

Ever since Minnesota became a state we have had a law among our statutes requiring that "all property shall be assessed at its true and full value in money." Another statutory provision equally ancient defines "true and full value" as meaning "the usual selling price at the place where the property to which the term is applied shall be at the time of assessment, being the price which could be obtained therefor at private sale, and not at forced or auction sale." It is hard to see how these statutes could be made more explicit or how anything could be added that would make them easier to understand; but notwithstanding their clear and mandatory terms they have never been enforced nor obeyed, but have been willfully and unblushingly violated by assessors, boards of equalization and taxpayers everywhere from the very beginning. Never since the first assessor started on his thankless task has property of any kind in Minnesota been assessed at its "true and full value" nor, with few exceptions, has any serious attempt ever been made to so assess it. The uniform, universal custom has been to assess at from 25 to 50 per cent of actual value; and this custom has had the long continued approval of the people, the silent support of the lawmaking and, in a large measure, the acquiescence of the law enforcing departments of the state government.

The causes which have led to the downfall of the law are rooted deep in human selfishness and official inefficiency, and are much easier to find than they are to remedy. First and foremost among them is the disposition on the part of taxpayers generally to shirk just as much of the public burden as they can. The next in importance is the very large number of weak and incompetent assessors. The local assessor is the keystone of our whole taxing system and unless he is a man of good judgment, familiar with values and endowed with sufficient moral courage to be fair, his work invariably falls far short of the legal standard and very often degenerates into a mere travesty on justice. The office of assessor, as at present constituted, because of the meager pay and small importance attached to it by citizens generally, is seldom sought after

by capable men. More often than not men competent to make a good assessment if tendered the position refuse to accept. Frequently the place is given to someone simply because he "needs" it, or because he will do the work for less than anybody else, or because he will be an "easy mark" for influential tax dodgers. Men of this type soon discover that the surest way to remain long in office is to be "easy" and "accommodating" and above all to keep the assessment of their district down to the lowest possible point. The inevitable outcome, of course, is a low assessment. Another strong factor in lowering the standard of assessment can be easily traced to the overzealous desire on the part of many boards of equalization to keep the assessment of their constituents just a little below their neighbors. All of these forces working together have so completely undermined the law that there is little left but the ink with which it is printed.

As early as 1878 it was apparent to the legislature that assessors were not enforcing the law and they passed an act providing, among other things, that each year before beginning their work they should meet at the office of the county auditor for conference with him in regard to their duties. While the manifest purpose of this law was to aid in bringing the assessment up to the legal standard, in actual practice it has worked just the reverse. Evidently construing it as giving them power to do about as they pleased in assessing property it has been the well-nigh universal practice for assessors at these meetings, in direct violation of the law requiring that all property shall be assessed at its "true and full value," to adopt resolutions embodying agreements to assess different kinds and classes of property in different ways and at different rates.

In nearly all of the counties these resolutions provide that certain specified classes of personal property shall be assessed at so much per article and different kinds and classes of live stock at so much per head; the result being that a piano worth $300 is assessed the same as one worth $50, and a horse worth $200 at no more than one worth $40. After providing in this way for the assessment of certain selected classes and kinds of property the resolutions usually contain a residuary clause providing that all other property shall be assessed at a certain designated per cent of its real value. These percentages range in the different counties all the way from 25 to 50 per cent of real value. In no county are all classes of property assessed at the same per cent of "true and full value";

and in several counties all lands are assessed at the same rate per acre regardless of value.

Basis of Valuation for Taxation Purposes—No. 2

Coupled with the statute requiring that property shall be assessed "at its true and full value in money" is another, equally explicit, providing that **all** property not exempt from taxation shall be listed and assessed. While this provision of law is not violated by assessors in the same open and systematic way as the one requiring "full valuation" it is, nevertheless, willfully violated in a great many assessment districts every year. In many districts it has long been the custom to assess five horses as four, three cows as two, and so on down through all the classes on the list, the purpose in most cases being to keep down the assessment of the district by keeping up the average assessment of each article in a given class, while in a few cases it may be resorted to for the purpose of favoring the assessor's friends.

If all property was assessed at a uniform given per cent of "true and full value" the result would be a square deal for everybody. If the law permitted, there would be no inherent vice in "undervaluation" so long as everybody was treated alike. But when property that should be taxed is omitted from the rolls; and when every article in a given class is assessed at a fixed sum regardless of value a square deal is impossible. Such methods invariably result in the grossest injustice not only to districts taken as a whole, but to individual taxpayers as well, and are unquestionably the most vicious and indefensible of all the illegal practices that have fastened themselves upon our taxing system during fifty years of lawbreaking. They work almost invariably in favor of taxpayers owning high grade and costly property, and against the owners of inferior and inexpensive property. In short, they favor the rich as against the poor, and, worst of all, they leave the small taxpayer without any adequate means of redress. It is just about as expensive, and takes just as much time, to obtain relief from an overassessment against the small holdings of a poor man as it does to correct an assessment involving thousands of dollars; and the result is that the small taxpayer submits to the wrong because he cannot afford to do anything else, while the large taxpayer, because of the large amount involved, can afford to and does usually fight for his rights and get his unfair assessment corrected.

Equality and justice in taxation under our laws depend almost entirely upon the assessor. He is by far the most important officer who has anything to do with taxation. If he makes his assessment in the way that the law provides, or even if he makes it at a uniform definite per cent of "true and full value" approximate justice will prevail between the individual taxpayers of his district; but if on the other hand he makes it in accordance with the agreements usually adopted at assessors' meetings, or if he omits any considerable amount of taxable property from his list, the assessment inevitably abounds in the grossest inequalities—and they are inequalities that cannot be corrected by equalization. If they could, the situation would not be so bad, but as a rule every attempt to equalize simply tends to make a bad matter worse. Nothing short of doing the work over again will correct such assessments. The inequalities existing between assessment districts and counties can be smoothed out and equalized fairly well by boards of equalization, but not so the inequalities between individuals that result from following the illegal methods above described. Never until we are able to get away from these conditions and have everything assessed in strict accordance with the law will we have anything even approximating equality and justice between individual taxpayers.

The next article will set forth some of the obstacles in the way of assessing property "at its true and full value."

Some of the Reasons Why Property is Not Assessed at Full Value

As shown in the two preceding articles the law requiring that "all property shall be assessed at its true and full value in money" has never been obeyed. Instead of assessing at true and full value it is the universal custom to assess at from 25 to 50 per cent of true value. Instead of assessing every article in a given class of property at full value, or at a given, uniform percentage of full value it is the universal custom to assess every article in certain classes of property at a fixed sum regardless of value; and instead of assessing all property not exempt from taxation it is the custom in many districts to willfully and systematically omit a large amount of personal property from the rolls. All of these methods are, of course, illegal and all of them have been adopted in open and direct violation of perfectly clear and unequivocal statutes requiring that all property not exempt shall be listed and assessed, and that all of it shall be assessed at true and full value.

For the willful failure to assess all property subject to taxation, and for the assessment of every article in a given class at the same figure regardless of value there is no possible excuse. Such methods, as we have shown, are grossly unfair and work irreparable injury to individual taxpayers; but for the assessment of property at a certain uniform per cent of full value, instead of at full value, a great deal can be said in justification. During the fifty-four years since we became a state many laws have been passed which are based upon the prevailing custom of assessing property at from 25 to 50 per cent of true and full value instead of upon the statute requiring that assessment be made at "true and full value."

First: The salaries of county auditors and their clerks; of county treasurers; and, in part, the salaries of judges of probate are fixed and determined by the assessed valuation of the county, and if property was assessed at true and full value as required by law the salary of every one of these officials would be increased to an amount far in excess of that intended by the legislature.

Second: The indebtedness which counties, cities, villages and towns can incur is definitely limited by law; cities of the first class being limited to 5 per cent of their assessed valuation, and the other municipalities to 10 per cent. If all property was assessed "at its true and full value" it would be possible for all these municipalities to increase their indebtedness at least threefold.

Third: The power of counties, cities, villages, towns and school districts to raise money by taxation is definitely limited by law to certain maximum rates. For example, the highest rate that can be imposed in any county for general revenue purposes is one per cent. The same thing is true at varying rates for all the other municipalities. It is plain, therefore, that the amount of money any municipality can raise by taxation is limited by the amount of its assessment, and it is equally plain that if property in any municipality is assessed at "true and full value" it can raise three times as much as it could if the assessment was made at one-third of full value. The rate of taxation in many communities has already reached the maximum, and if assessments were made at a higher per cent of true value than the prevailing custom, taxes would undoubtedly be much higher than they are at present.

Fourth: A very considerable part of the revenue obtained by direct taxation is derived from taxes levied for certain specific purposes at rates which are definitely fixed by law, such as the "one mill school tax," and the one-tenth of mill tax for the "Soldiers' relief fund" and the like. The rate of these taxes remains the same year after year regardless of the taxable valuation of the state or of the needs of the institutions for which the tax is levied, and it can only be changed by amending the law. The aggregate rate of all these so-called "special taxes" at present amounts to 2.58 mills on each dollar of assessed valuation, and the total revenue derived from them in 1911 was approximately $3,000,000. If property in that year had been assessed at its true and full value as provided by law these taxes would have been increased fully threefold, and would probably have amounted to more than $9,000,000.

In short, if the law requiring that "all property shall be assessed at its true and full value" were rigidly enforced it would inevitably result in a large and needless increase in taxes; in a great and uncalled for increase in salaries; most likely in a great increase in municipal indebtedness, and in a general and unwarranted demoralization of our entire revenue system.

The next article will show the efforts that have been made to correct these evils.

Efforts of the Legislature to Amend the Assessment Laws So That They Could be Strictly Enforced

In the last article we endeavored to show that if property was assessed at its true and full value in money as provided by law, without first amending several inconsistent statutes, the result would be a great and needless increase in taxes; an uncalled for increase in the salaries of several hundred county officials and their clerks, and, in all probability, in a great increase in municipal indebtedness.

Justice in taxation can only be attained by a strict compliance with the law. This is proven by universal experience. There is no other way. With rare exceptions, when an assessor violates the law and sets up a standard of his own he either inflicts an injury upon some individual taxpayer or else he does injustice to every other taxpayer in the state. As a general rule every step he takes outside the straight and narrow path provided by law leads to greater and more glaring inequalities, and in many cases if he gets too far away his work degenerates, as we have said before, into a mere travesty on justice.

Because of the lack of harmony in the laws which we have pointed out taxpayers in Minnesota, to use an apt expression, are

placed squarely "between the devil and the deep sea." If the law was strictly enforced, every one of them would be mulcted with needless taxes, and because it is not so enforced injustice is annually inflicted upon a large majority of them.

Realizing that a just and equitable assessment of property in this state was practically impossible unless and until these contradictory laws were amended and harmonized, the tax commission in 1909 placed before the legislature all of the facts bearing upon the matter and asked that the assessment laws be so amended that they could be strictly enforced without unnecessarily increasing taxes and without injustice to anybody. Several conferences were held with members of the committees on taxes and tax laws of the house and senate and the whole matter thoroughly canvassed and the conclusion finally reached that it would be better, all things considered, to amend the law to conform to long established custom than it would be to undertake to enforce an assessment at true and full value. A bill was accordingly drawn providing among other things that, "except as may be otherwise provided by law all property subject to a general property tax shall be valued at its true and full value in money, which shall be entered opposite each item on the assessment rolls, and shall be assessed at 50 per cent of such true and full value. Such assessed value shall in all cases be taken and considered to be the value of such property for purposes of taxation, and shall be the value upon which the tax levy shall be made."

The bill was introduced in the house by the chairman of the committee on taxes and tax laws, and after the adoption of an amendment changing the basis of assessment from 50 per cent of true value to 40 per cent it passed that body and was transmitted to the senate where, after a brief debate, it was "indefinitely postponed."

The failure of the bill to pass was due not so much to hostility to the principle involved as it was to the inability of the members to agree upon the per cent of true value at which the assessment should be made. A plurality but not a majority of the members favored the 50 per cent basis provided in the bill as introduced. Some favored 30 per cent, others 40, others 45, and others 60; and in the house one member offered an amendment providing that property containing iron ore should be assessed at 60 per cent of its true value, city property at 50 per cent, and farm property at 40 per cent. Out of this multiplicity of views it seemed impossible to reach common ground. The bill landed at the end of the session

in the legislative ash heap where it slumbered until the following session. But the legislature recognizing the urgency of the matter, and feeling that something must be done to relieve the situation, just before it adjourned sine die adopted a concurrent resolution requesting the commission to adhere to existing methods until the legislature met again.

Efforts of the Legislature to Amend the Assessment Laws and Suggestions by the Tax Commission

Having failed in 1909 in every effort to amend the laws governing the assessment of property and recognizing the embarrassment of the situation the legislature on the last day of the session adopted the following concurrent resolution:

> Be it resolved by the Senate, the House of Representatives concurring:
> That, whereas the basis of valuation of property for taxation in this state has actually been other than its true value, and the financial affairs of the various counties, municipalities and state institutions have been regulated so as to accord with the present taxable valuation of property, and
>
> Whereas, there is legislation pending looking to the establishment of a more uniform basis of actual valuation for taxation, and such a basis would affect the affairs of state institutions, municipalities, and counties, therefore, be it resolved by the Senate, the House of Representatives concurring:
>
> That the state tax commission be, and it is hereby requested to take into consideration in any regulation it may make as to the valuation of property for taxation, the values which have heretofore been given such property, and that the commission so act as not to create any radical changes in the present assessed valuation, such as would derange the relations which have been created, and now exist, between the incomes and salaries paid by different institutions, municipalities, and public offices throughout the state; and thereby allow the present relative values to continue until the next session of the legislature.

The unfortunate situation was again presented to the legislature in all its bearings in 1911 but, measured by results, the outcome was even more discouraging than in 1909. A bill providing that all property should be assessed at 50 per cent of "its true and full value in money," after being amended to read 33 1-3 per cent, passed the senate with little opposition late in the session and was transmitted to the house. After careful consideration by the house committee on taxes and tax laws it was again radically amended and as it finally passed that body, provided that all property subject to the general property tax should be divided, for purposes of taxation, into four classes. Class 1 was to cover the homestead of the taxpayer which was to be assessed at 33 1-3 per cent of its true and full value. Class 2 was to include all other real estate which was to be assessed at 50 per cent of its true value. Class 3 was to include household goods and furniture, wearing apparel,

musical instruments, and sewing machines which were to be assessed at 25 per cent of full and true value. Class 4 covered all personal property not included in class 3 which was to be assessed at 50 per cent of full value.

Upon the return of the bill to the senate for concurrence in the house amendments the senate refused to concur. Conference committees were appointed in both bodies for the purpose of reaching an agreement, but in the rush and turmoil of the closing hours of the session the committees were unable to get together and the bill, like its predecessor in 1909, failed to reach final passage.

The troublesome condition still confronts us and is productive of increasing embarrassment in every direction. Letters from local assessors and county officers are constantly being received asking for instructions as to what percentage of true and full value should be used in the valuation of property for taxation. The only reply which the commission has been able to make is to call attention to the statute prescribing that property should be assessed at its true and full value and to the legislative resolution requesting that it should not be so assessed.

Justice to taxpayers and tax officials alike demands that the matter should no longer be left in the chaotic and contradictory condition in which it is at the present time. Either the laws now obstructing the assessment of property at true and full value should be so amended that it can be so assessed, or provision should be made by law for its assessment at some specified per cent of full value. The situation should be squarely met and the question solved without further delay.

There is nothing sacred about the "true and full value" standard. Any easily figured fraction of "full and true value" would answer nearly as well. The important thing is not the standard but the enforcement of it. If we were starting anew we would unhesitatingly recommend the "full value" standard; but in the face of the long established custom in the state of assessing at from 25 to 50 per cent of full value and the practical difficulties in the way of amending the many statutes which stand in the way of such a consummation, we have no hesitancy in recommending that the assessment be placed upon a fixed basis of 50 per cent of full value. We believe that this basis can be strictly maintained throughout the entire state without injustice to anybody. Or if a classified basis seems more desirable to the legislature, we would suggest that the classification be based upon the character of the property. Non-productive property like household goods and wearing apparel

to be assessed on a basis of say 25 per cent and property that can be made productive, on a basis of 50 per cent of full value. The all important thing, however, is that the whole matter be definitely settled at the earliest possible moment so that the law can be strictly enforced.

The Local Assessor and His Assessment

In preceding articles something has already been said as to the difficulty of securing a fair valuation arising from the inefficient work of many of the local assessors. This inefficiency is the product of many differing causes, viz:

1st. The usual compensation by law allowed an assessor, $2 per day, is altogether inadequate. Out of this meager stipend he is required to pay his traveling and other expenses. This practically leaves him without any, or at best, a very small compensation for his time and services. It compels him to "rush" his work, and to do it in the easiest and quickest way possible. Yet the assessor is the most important local official who has anything to do with our taxing system. He should be a man of sound judgment, familiar with the character and value of the various kinds of property he is to assess. He should not be dependent for his office upon the votes of those whose property he is to value. He should have the moral courage to resist all importunity and avoid all prejudice. He should be free from all partisanship, favoritism, and vindictiveness. In short, he should be the broadest minded, fairest, and best man in the district. The services of such men cannot be secured for the unalluring compensation of $2 per day, less expenses.

2nd. Even where the assessor is competent and honest, and there are many such, he is confronted with embarrassing circumstances which militate against a good assessment. His thankless duty is to pry into the affairs of his friends and neighbors; to force them to list all their property, and to see that it is fairly valued. During the assessment season "his hand is against every man, and every man's hand is against him."

3rd. As a general rule assessors are timid and conservative; they are conservative because they are timid. Instead of making a new and thorough valuation each year they are prone to adopt and copy the valuations of the preceding year. It is much easier to remain stagnant than it is to progress. Generally the assessor considers his work well done if his assessment is "about the same as last year."

4th. The same conservatism controls his method of assessing property, particularly personalty. A listing blank is given to the taxpayer to be by him filled out and returned to the assessor. The law contemplates that the owner shall list the different articles of property owned by him, and that the assessor shall determine its value. The owner merely furnishes the inventory, and the assessor fixes the valuation. But during all of the 54 years of our statehood it has become the usual and almost universal custom for the owner of taxable personal property not only to furnish an inventory of such property, but to also fix the assessed value thereof, and this valuation the assessor accepts and copies into his books. The effect of this is that each taxpayer practically makes his own assessment; in other words, determines for himself the amount he will contribute to the support of the government under which he lives.

Such are some of the many defects which our half century's experience has shown to be inherent in our local assessorship system. So flagrant and serious are they that it is self-evident that some other method of making the initial assessment must be devised before such assessments will cease to be a howling farce.

The Remedy for Unfair Assessments

The most important element in the assessment of property for taxation is not that the valuations be either high or low, but that they be fair and uniform; that all kinds of property of like character and of equal value should be assessed at the same value regardless of the social, political, or personal standing and influence of its owners.

It is self-evident that so long as the present system of local assessors is retained there cannot be any such thing as a fair and uniform valuation of property as between the owners thereof in the same taxing district. The local conditions and influences which inevitably surround and embarrass the local assessor are such that no matter how conscientious he may be he cannot fairly and impartially fix the valuation of the property of his neighbors, friends, and enemies. Do the best he can, either favoritism or prejudice, charity or overmastering influence warp his judgment and militate against the integrity of his assessment.

It is most important that this local or initial assessment should be as fair and perfect as it is possible to make it. It is the foundation upon which all of the taxes levied upon the valuation of prop-

erty is predicated. It directly concerns the individual taxpayer, and is intended to place him upon an equality with his neighbors. If it fails to do this he pays either a higher or a lower tax than he should. The present system not only fails to give, but is a positive impediment to fair and uniform taxation.

How can this unwholesome state of affairs be remedied? While an absolutely perfect system cannot be devised, a great improvement can be made by the enactment of laws based upon the following principles, viz:

1st. The assessor should not be subject to the embarrassing influences already mentioned. As far as possible he should be free from any relationship, connection, or association with the persons whose property it is his duty to assess.

2nd. The assessor should be a person who by experience and familiarity with the various kinds of taxable property has become, to some extent, an expert in valuations. The better "posted" he is as to the values of property, the more competent he is to assess it.

3rd. In order to become such an expert, and he can become so only by experience, his term of office should be long enough to enable him to familiarize himself with the character and values of assessable property as it is bought and sold in the local markets.

4th. His compensation should be sufficient to enable him to devote all of his time, not for a few weeks merely but for his entire official term, to gathering information and data which will enable him to include all taxable property in his assessment and to value it on a uniform basis.

5th. With proper limitations he should be amenable for the fairness and thoroughness of his work to some controlling supervisory power in the state which could correct any errors he might make.

After long and careful consideration of the matter the state tax commission has become convinced that the most feasible way in which to secure a fair and equitable assessment of taxable property is to abolish the office of local assessor and to substitute in its place that of a county assessor. As required by law the commission formulated and submitted to the last two legislatures bills to that effect. In each case the bills failed of passage.

The County Assessor Bill

The bill establishing a county assessor in each county, in place of the 2,300 or more local assessors, which was submitted to the

last two legislatures, and will be again submitted to the next legislature, is too voluminous to be here set forth in detail. Many verbal, but otherwise immaterial, changes in the existing laws are necessary to make them conform to the proposed measure, and most of the sections of the bill are of that nature.

The salient and most important features of the bill are as follows:

1st. The abolition of the office of local assessor (except in cities where it exists by virtue of special law or charter) and the substitution in its place of the office of a county assessor in each county. These county assessors in the first instance are to be appointed by the county boards of the respective counties at their regular meeting in July, 1913, and hold their office until the general election in 1918, when, and every four years thereafter, such assessors are to be elected by popular vote the same as other county officers are elected. But cities which retain a city assessor under their charters cannot participate in the election of a county assessor.

2nd. Such county assessor must be a resident of the county, and must give a bond for the faithful discharge of his duties.

3rd. Where necessary, and under proper restrictions, the county assessor with the consent of the tax commission can appoint deputies to assist him, not exceeding one deputy for each 5,000 of the population of the county excluding the cities aforesaid. All assessors and deputies are to be under the direction and supervision of the tax commission.

4th. The assessor must devote his entire time to the gathering of information and data for and to the making of his assessment. He cannot hold any other office nor engage in any other business.

5th. He is to receive a reasonable salary which is based both upon the population and upon the area of the county. It may be said generally that such salary will be a little less than the present salary of the county auditor or county treasurer. The compensation of deputies is to be determined by the county board.

Such are the most important provisions of the bill. It is believed that such an assessor, secure in a long official term with a reasonable salary, being free from local influences and not intimately connected or associated with the persons whose property he is to assess, will be able to make a fairer and better assessment for each town and for the county as a whole than can be made under the existing system. Devoting his entire time to the work of his

office he will be constantly gathering the facts and data upon which to base his assessment, and will familiarize himself with the property, real and personal, of his county and with the values thereof. Real estate, farms, and city lots can be mapped and platted; the character of the soil and the nature of the improvements fairly ascertained, and valuations made approximating accuracy. Tangible personalty can be similarly inventoried and classified. With a few years' experience such an assessor, if a man of ordinary intelligence, will become an expert in valuations, and every taxpayer will have the satisfaction of knowing that his property as well as that of his neighbors is assessed according to its merits, and not as a matter of favoritism or mere guess work.

As before stated, the object of the proposed bill is not to secure a higher or lower assessment, but a fair and uniform assessment. The important thing is that all taxable property be put upon the tax list; that it all be measured by the same yardstick and valued upon the same basis so that one man's property shall not be overvalued and another's undervalued; that he who has been paying too much tax shall pay less, and he who has been paying too little shall pay his full share.

Objections to the County Assessor Bill

There are several objections urged against the county assessor bill which deserve careful consideration. One is that the town assessor being a resident of the town is presumably familiar with the taxable property therein and therefore could assess it better than a non-resident. This objection, however, is overcome by the fact that the proposed county assessor is required by law to devote all of his time the year round to the duties of his office, and to acquiring the same information not only in that town but in all the towns of the county. This will enable him, by comparing one town with the others, to make the county assessment more even and uniform so that in a short time he would become more familiar with the property in each town than the local assessor could possibly be. Giving to this objection all the force claimed for it, the fact remains that the county assessor will be much better equipped for the valuation of the property in each town than the local assessor can be, while the influences and conditions which inevitably embarrass the local assessor, warp his judgment, and lead to favoritism and unfairness cannot to any appreciable extent affect the county assessor. Moreover, the county assessor will be under the

supervision of the state tax commission, a body having the power to correct his errors, and in case of willful misfeasance to remove him from office with the consent of the governor of the state and after a fair hearing. Such supervision will strengthen him in the performance of his duties, and he will be more independent of local influences and in a better position to make a fair and uniform assessment.

Another objection to the proposed bill is that it interferes with the principle of home rule in the town. Whatever merit there may be in this objection loses its force by the fact that under the proposed bill the town board of review will remain substantially unchanged in its powers and duties. While in many cases these boards of review have been of little efficiency in the past they will still remain with full authority to review and correct the assessment for the town as returned by the county assessor and protect the taxpayers of the town from any unfair assessment, thus preserving intact the home rule principle. It is also believed that the existence of a county assessor will act as a stimulant to these boards to do their work with greater care and thoroughness.

Another objection to the bill is that it creates a new office and will result in increased expense to the county. It is true that it creates some 86 new offices, and also that it abolishes some 2,300 of existing offices. Whether it will result in increased expense to the counties is problematical. In some counties it may do so, and in others it may not. In any event the increase, if it results at all, will not be very large. If the town assessors were being paid a fair compensation at the present time it is believed that the county assessor would not cost any more than the local assessors would cost.

At all events the benefits which would result from a fairer and more uniform assessment would far outweigh the increased cost thereof, if such there should be.

In order that taxation may be fair as between the individual taxpayers of the state it is essential that the assessments of their property should be relatively equal. If the assessments are unfair, the taxes based upon such assessments are inevitably unequal. You cannot erect a substantial and permanent superstructure upon a "wobbly" foundation.

While it is not claimed that the county assessorship system would in all cases produce an absolutely perfect assessment, it is believed that it would greatly tend to that desirable result. It certainly is an attempt to better present conditions, and while in this

state it may be something of an experiment, we must remember that all progress must in the beginning be experimental—that no one can move forward if he doggedly insists upon remaining immovable.

The Inheritance Tax

In addition to the general property tax, the gross earnings tax, the mortgage registry tax, and the three mill tax on money and credits, which have been already covered in these articles, the state imposes certain other special taxes deserving of mention, such as the inheritance tax, the tonnage tax on vessels plying on international waters, the bushel tax on grain, and the liquor license tax.

The most important of these is the inheritance tax. Although not in general use in this country until comparatively recent times the inheritance tax is not a new invention. It was employed by the Romans as a part of their fiscal system before the dawn of the Christian era and there is evidence that the Egyptians made use of it even earlier than the Romans. In many European countries it has been in successful operation for centuries.

From an economic standpoint no tax has more to commend it and none is easier to defend. As has been well said: "This method of increasing the public revenue is wise, simple and effective—wise because it does not touch private property during the life of the owner and thus places no burden upon business activity; simple because the tax is easily ascertained and collected while estates are being administered in the probate court; effective because by the application of progressive rates, it adds no burden to the poor but permits those who have much to contribute to the government somewhat in proportion to their ability to pay. It invades no natural rights. It violates no maxim of the law. It overleaps no constitutional barriers. It is neither revolutionary nor socialistic, but is, on the contrary, a measure of practical wisdom and social justice, and has been truly styled an 'institution of democracy.'"

In this state six different legislatures have stamped the inheritance tax with their approval. The first inheritance tax law, enacted in 1885, was declared unconstitutional by the supreme court, as were similar laws passed in 1897, 1901 and 1902. The fifth attempt of the legislature to tax inheritances, chapter 288, Laws of 1905, was successful, being sustained by the supreme court in a test case.

The present law imposes a tax upon inheritances, devises, bequests, legacies, and gifts of every kind. It is in fact a tax on the right to receive property, or any interest therein, or income therefrom in trust or otherwise.

Liberal exemptions from the tax are allowed to husband or wife or children of the decedent, the amount under the present law being $10,000. Parents receive an exemption of $3,000, and brothers and sisters, $1,000. Certain smaller exemptions are allowed more distant relatives.

The rate is imposed on the amount in excess of the exemption and is a graduated one, increasing as the amount or value of the bequest increases. For instance, in the case of a wife or child, if the value of the property exceeds $10,000 but does not exceed $15,000, a tax of 1 per cent would be imposed on the amount in excess of the exemption. Upon all in excess of $15,000 and under $30,000 the rate is 1½ per cent; from $30,000 to $50,000, 2 per cent; on sums over $50,000, 2½ per cent, and on all sums over $100,000 the rate is 3 per cent.

In the case of a husband, or parents of the decedent, the rate starts at 1½ per cent and increases to 4½ per cent; for brothers and sisters and certain relatives the rate begins at 3 per cent and increases to 9 per cent; for certain other relatives it begins at 4 per cent and increases to 12 per cent; and for strangers it ranges from 5 to 15 per cent.

In the earlier years of the tax on inheritances the entire revenue received from this source was retained by the state. Under an amendment adopted in 1911 the county in which the decedent resided now receives 10 per cent of the tax.

The revenue received from this source for the fiscal year ending July 31, 1912, amounted to $678,513. The total receipts since the enactment of the law to date exceeds $2,280,000.

Railroad Taxes

Investigation by the Tax Commission Shows that Railroads Are Not Taxed as High as Other Property[1]

In each of the two biennial reports which have been issued by the state tax commission attention is called to the fact that railroad property in this state is not taxed as high as other property.

The railroads at the present time, in lieu of all other taxes, pay into the state treasury annually 4 per cent of their gross earnings in this state. Under a wise provision of our constitution this tax cannot be diminished or increased without the approval of the voters of the state.

Having become convinced that the tax was too low the legislature at its last session passed an act submitting the question of increasing the tax from 4 per cent to 5 per cent to the voters of the state to be voted upon at the election, November 5th, 1912.

The tax commission believes that the railroads, like all other taxpayers, are entitled to fair treatment—no more and no less, and that these taxes should not be increased unless the facts fully warrant it. In order therefore to make assurance doubly sure the commission, with the able assistance of Prof. E. V. Robinson of the department of economics of the State University, has just completed another investigation of the whole matter and finds as a result that the proposed increase is more than justified by the facts.

Four per cent of the gross earnings of railroads in Minnesota in 1911 (the last year for which complete reports are at hand) amounted to $3,670,760.25. The investigation by the tax commission shows that if all roads were assessed and taxed the same as other property they would be required to pay $5,011,267.12, or $1,340,506.87 more than 4 per cent of their gross earnings. In order to obtain this amount on the gross earnings basis it would be necessary to raise the rate from 4 to 5.46 per cent.

The foregoing figures are based upon the state's valuation of the railroad property with additions to date.

If the valuation allowed by the court in the rate cases, which was considerably higher than the state's appraisal, should be accepted as correct, the tax assessed against the roads, on the same basis as other property would be $5,430,964.18; and the rate of gross earnings tax necessary to bring that amount into the state treasury would be 5.92 per cent.

If the valuation which the companies have themselves placed upon their property, which is still higher, should be taken as the basis of taxation, the rate of tax on gross earnings would greatly exceed any of the above figures.

It is clearly evident from these figures that the proposed increase from 4 per cent to 5 per cent is fully justified.

Under our constitution a failure to vote on the proposition is the same as a vote against it.

Conclusion

With this issue the series of articles upon taxation which the tax commission has been publishing in this journal for the past

[1]The figures in this article were based on estimated assessed valuation, which proved to be lower than the assessed valuation later established. On this account these figures are somewhat lower than those appearing in chapter XIV.

ten months will be discontinued for the present. The commission has been deeply impressed with the fact that notwithstanding the widespread complaints of the unfairness and injustice of the existing methods of taxation, comparatively few taxpayers have taken the trouble to familiarize themselves with the details of those methods, and fewer still have devoted much thought or study as to how those methods may be best improved.

The articles have been prepared and published in the hope that, brief as they necessarily are, they would to some extent familiarize the public with the details of the existing system and thereby stimulate that discussion and consideration which must always precede any legislation tending to a reform or improvement of the system. They have been mainly devoted to the general property tax which comes nearest to and directly affects all of the people, and which is based upon the assessed valuation of all property owned by each individual.

The amount of taxes collected does not depend upon the amount of the assessment of property, nor upon the rate of taxation. Taxes are high when and where the expenditure for public purposes is large; they are low when such expenditure is small. Assessment and rate are merely the means of raising the money to be expended, and of determining how much each individual shall contribute for that purpose. But an equality of taxation as between the individual taxpayers depends entirely upon the fairness of the assessment. The only remedy for high taxation is a reduction in public expenditures; the remedy for unfair taxation is a fair and equitable assessment.

The commission acknowledges its indebtedness to the newspapers of the state for their cordial and unselfish assistance in the publication of these articles. Although their publication has not been productive of as much criticism, suggestion, and discussion as was expected the commission feels that some public good has been accomplished. Whatever of good there may be, it is largely to the press of the state that the credit is due. Without the least compensation and with some inconvenience to themselves these newspapers have given their space liberally to the work of enlightening their readers upon the perplexing and little understood system of taxation in Minnesota.

The commission will publish the entire series in pamphlet form for free general circulation, and will be pleased to distribute them to those who by letter or in person may so request.

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